

COMPLIANCE REPORT

Limited Internal Control and Compliance Review Management Reports
For the year ended *June 30, 2020*

SHAD WHITE
State Auditor

Stephanie C. Palmertree, CPA, CGMA
Director, Financial and Compliance Audit Division



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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

September 20, 2021

Limited Internal Control and Compliance Review Management Report

Hattiesburg Public School Board Members
301 Mamie Street
Hattiesburg, MS 39401

Dear Hattiesburg Public School Board Members:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Hattiesburg Public School District for the fiscal year 2020. In these findings, the Auditor's Office recommends the Hattiesburg Public School District:

1. Ensure Compliance with State Laws over Statements of Economic Interest;
2. Ensure Compliance with State Laws over Sixteenth Section Lease Payments and Appraisals; and
3. Ensure Compliance with State Laws over Reemployment of Retired Public Employees;

Please review the recommendations and submit a plan to implement them by September 20, 2021. The enclosed findings contain more information about our recommendations.

During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

This report is intended solely for the information and use of management, individuals charged with governance and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Hattiesburg Public School District to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree".

STEPHANIE PALMERTREE, CPA, CGMA
Director, Financial and Compliance Audit
Office of the State Auditor

The Office of the State Auditor has completed its limited internal control and compliance review of the Hattiesburg Public School District for the year ended June 30, 2020. The Office of the State Auditor's staff members participating in this engagement included Charlotte Duckworth, Lutrina Bledsoe, Kendall Cavett and Ashley McPherson.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be weaknesses. In accordance with *Section 7-7-211, Miss. Code Ann. (1972)*, the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We noted certain instances of noncompliance with state laws that require the attention of management. These matters are noted under the heading **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**. The Auditor's Office has also made a recommendation for managements' consideration that it is not in violation of state law.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 1: The School District Should Ensure Compliance with State Law over Statements of Economic Interest.

Applicable State Law: *Section 25-4-25, Mississippi Code Annotated (1972)*, provides that "Each of the following individuals shall file a statement of economic interest with the commission in accordance with the provisions of this chapter: a) Persons elected by popular vote..." *Section 25-4-29, Mississippi Code Annotated (1972)*, provides that "1.) Required statements hereunder shall be filed as follows: a.) Every incumbent public official required ...to file a statement of economic interest shall file such statement with the commission on or before May1 of each year that such official hold office, regardless of duration ... 2.) Any person who fails to file a statement of economic interest within thirty (30) days of the date of the statement is due shall be deemed delinquent by the commission ... a fine of Fifty Dollars (\$50.00) per day, not to exceed a total fine of One Thousand Dollars (\$1,000) shall be assessed against the delinquent filer for each day thereafter in which the statement of economic interest is not properly filed. The commission shall enroll such assessment as a civil judgement with the circuit clerk in the delinquent filer's County of residence..."

Finding Detail: During the review of School District's Statements of Economic Interest, the auditors noted one Board member did not file a Statement of Economic Interest before the May 1st deadline.

Failure to file the statement of Economic Interest, as required by state law, resulted in noncompliance with *Section 25-4-25*, and could result in fines being assessed and a civil judgement being enrolled against the delinquent filer, as allowed by *Section 25-4-29(2)*.

Recommendation: We recommend the Hattiesburg Public School District ensure compliance with state law by ensuring School Board members file the Statement of Economic Interest annually, no later than May 1st of each year that such officials holds office, regardless of the duration.

District's Response: The District agrees with the finding and will strengthen internal controls to ensure that required Statement of Economic Interest are filed timely.

Repeat Finding: No.

Finding 2: The School District Should Ensure Compliance with State Laws over Sixteenth Section Payments and Appraisals.

Applicable State Laws: *Section 29-3-57, Mississippi Code Annotated (1972)*, states, "The superintendent of education shall keep a current docket as to the expiration date of all leases on sixteenth section lands; likewise, he shall keep a correct current docket upon the existing leases or any extensions thereof as to the amounts and time of payment of rentals provided for by such lease. It shall be the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section funds. Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present, and the board shall inaugurate the proper legal proceedings to terminate such lease."

Section 29-3-65, Mississippi Code Annotated (1972), states, "One (1) year prior to the date, when any such lands, not subject to competitive bid procedures, shall become available for lease, the board of education shall appoint a competent appraiser to appraise the land and report to the board his recommendation for the fair market rental amount. The board shall then determine whether the same be a reasonable amount, and shall grant the lease pursuant to *Section 29-3-63*."

Finding Detail: During the review of the School District's sixteenth section leases, the auditors noted the following exceptions:

- Five lease payments were paid more than 60 days late; however, the lease agreements were not cancelled; and
- Appraisals were not obtained for seven (7) lease agreements.

Failure to terminate lease agreements due to non-payment of rental payments and appoint appraisers resulted in noncompliance with state law.

Recommendation: We recommend that the Hattiesburg Public School District ensure compliance over sixteenth section leased land by ensuring lease payments are made within 60 days of due date, and an appraisal is appointed one year before the rental of sixteenth section land, as required by state law.

District's Response: The District agrees with the finding and has implemented internal controls to ensure that leases sixty (60) days in default are cancelled. Additionally, the District agrees with the finding and has implemented procedures to ensure that appraisals and/or Tax Assessor's certificates are obtained and appropriately filed with the correspondent lease. The District submits all leases to the Secretary of State's Office for approval. This approval process requires the District to submit either an appraisal or a signed Tax Assessor's certificate.

Repeat Finding: No.

Finding 3: The School District Should Ensure Compliance with State Laws over Reemployment of Retired Public Employees.

Applicable State Law: *Section 25-11-127(4), Mississippi Code Annotated (1972)*, states, “Notice shall be given in writing to the executive director, setting forth the facts upon which the employment is being made, and the notice shall be given within five (5) days from the date of employment and also from the date of termination of the employment.”

Mississippi Public Employment Retirement System (PERS) Board Regulation 34, Section 105, states, “The lawfully employ a PERS service retiree under Section 103, the employer must notify PERS in writing of the terms of the eligible employment within five (5) days from the date of employment and also from the date of termination on a form prescribed by the Board. Failure by the employer to timely notify PERS may result in the assessment of \$300 penalty per occurrence payable by the employer.”

Finding Detail: During the review of the School District’s PERS Form 4Bs, the auditors noted the following exceptions:

- Three retirees were paid more than the allowed salary by PERS, totaling **\$1,553**;
- One PERS Form 4B was not submitted to PERS within five days of rehire; and
- Two PERS Form 4Bs were not properly completed.

Failure to file PERS Form 4Bs as required by PERS and to comply with *Section 25-11-127(4)(b)* could result in the overpayment of a retiree and may result in assessed penalties to the District from PERS.

Recommendation: We recommend the Hattiesburg Public School District ensure compliance with *Section 25-11-127(4)* and PERS by properly paying employees, completing, and filing Form 4Bs within five days of rehire.

District’s Response: The District agrees with the findings and has implemented controls to monitor and notify retirees of compensation limits. The District will strengthen controls and processes to ensure PERS Form 4B is submitted within five days of the retiree’s employment. The District will strengthen controls to cross check PERS Form 4Bs prior to submitting.

Repeat Finding: No.

End of Report



Hattiesburg Public Schools

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Hattiesburg, MS 39401
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COMPLIANCE REVIEW FINDINGS

September 22, 2021

Shad White, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. White:

The Hattiesburg Public School District has received the report of findings from the Limited Internal Control and Compliance Review audit conducted for the fiscal year ending June 30, 2020. Enclosed for your review are the responses and corrective action plans.

AUDIT FINDINGS:

Finding 1: Compliance with State Laws over Statements of Economic Interest

Finding Detail: One board member did not file the form by May 1st annually while in office, as required by State law.

Response: The District concurs with the finding and will strengthen internal controls to ensure that required Statements of Economic Interest are filed timely.

Corrective Action Plan:

- a. The District will continue to add the filing requirement to its Board Agenda. In addition, copies of the filings will be requested from board members before May 1st of each year, and the Superintendent's Office will review the Mississippi Ethics Commission website to confirm timely filing.
- b. Responsible Person: Dr. Robert Williams, Superintendent
- c. The Superintendent's Office will address compliance on an annual basis moving forward.

Finding 2: Compliance with State Laws over Sixteenth Section Lease Payments and Appraisals

Finding Detail:

- Five lease payments were paid more than 60 days late; however, the lease agreements were not canceled; and
- Appraisals were not obtained for seven (7) lease agreements

Response: The District concurs with the finding and has implemented internal controls to ensure that leases 60 days in default are submitted to the Board for consideration of cancellation. The District has also implemented procedures to ensure that appraisals or tax assessor certificates are obtained and appropriately filed with the correspondent lease.

Corrective Action Plan:

- a. The District has developed a process for tracking all sixteenth section properties. Leases will be reviewed monthly, and attempts will be made to notify leaseholders of their lease status prior to the lease going into default. Leases over 60 days late will be presented to the Board for consideration of cancellation at the next regularly scheduled board meeting. In addition, before issuing a lease, the District will ensure that either an appraisal or a signed tax assessor's certificate is on file with the corresponding lease. The District will also conduct an annual review for the necessity of appraisals.
- b. Responsible Person: Dr. Michael Battle, Assistant Superintendent
- c. This item has been corrected.

Finding 3: Compliance with State Laws over Reemployment of Retired Public Employees

Finding Detail:

- Three retirees were paid more than the allowed salary by PERS, totaling \$1,553.00.
- One PERS Form 4B was not submitted to PERS within 5 days of rehiring; and
- Two PERS Form 4Bs were not properly completed.


Response: The District agrees with the finding and has implemented controls to monitor pay and notify retirees of compensation limits. The District has also strengthened controls to ensure PERS Forms 4B is submitted within five days of the retiree's reemployment.

Corrective Action Plan:

- a. The Human Resources Department will inform retirees of their compensation limits before employment. In addition, the Human Resources Department will coordinate with the Business Office to track retiree compensation to ensure that retirees do not exceed the compensation amount allowed by PERS. Controls over the onboarding process will be strengthened to ensure the retirees complete and return Form 4Bs before the commencement of employment. The Form 4Bs will be submitted to PERS no later than the day following completion, and the submission date will be documented.
- b. Responsible Person: Dr. Michael Battle, Assistant Superintendent
- c. This item has been corrected.

Please do not hesitate to contact me if additional information is needed.

Respectfully,



Dr. Robert Williams
Superintendent